

EXHIBIT 47
(Filed Under Seal)

The Changing Face of the Pork Industry

Mark Greenwood



Agenda

- **A Historical Review**
- **Where are we at today as an industry**
- **The Have Not's vs. the Survivors**
- **A look ahead for producers and capital availability**
- **Q&A**



Let's Look at the Past

- **Prior to the 90's the swine industry was part of the diversification of their farming operation**
- **You had crops so you had livestock**
- **Some people farrowed pigs and some people bought feeder pigs**
- **Single site production**
- **From a financing standpoint, it was just part of your overall business**

The 90's Things Started to Change

- **Big growth in the SE**
- **Many specialized systems**
- **Packer contracts**
- **Grower contracts**
- **More leverage was allowed due to contracts**
- **Very little money down**
- **Many “investors” owned facilities**

The 90's Continued

- **Late 90's overexpansion**
- **\$8 hogs and not enough packing capacity**
- **Ledger contracts grew exponentially**
- **Window contracts helped the down side**
- **Smithfield became the largest swine producer**
- **Many acquisitions occurred**

2000-2007

- **The time of specialization**
 - 1. Farrow to wean**
 - 2. Wean to finish**
- **Large Midwest systems huge growth**
- **Many acquisitions occurred from 2000-2005**
- **2004-2007 long run of profitability**
- **2006 the game starting changing**
- **Higher demand for corn - ethanol**

It was quoted – “I don't want to offend anybody, but you can be fat, drunk and stupid and still make money in the swine industry the last couple of years.”

**Mark Greenwood – Pork Profit
Edge**

Boy I wish I could say that again!

Financing 2000-07

- **Very little operating debt in 2007**
- **More leverage was allowed on financing of facilities**
- **Wean to finish – no money down or very little – if you had the site that was your down payment**
- **Sow units – we were seeing 10% down with pro rata guarantees**

Financing 2000-07

- Many producers had cash on hand
- Clients built facilities out of cash
- Term revolvers were created
- Items all of us saw
- Financing with very little money down
- Everyone wanted a barn
- Very few marketing agreements other than shackle space – producers were dictating terms because they could

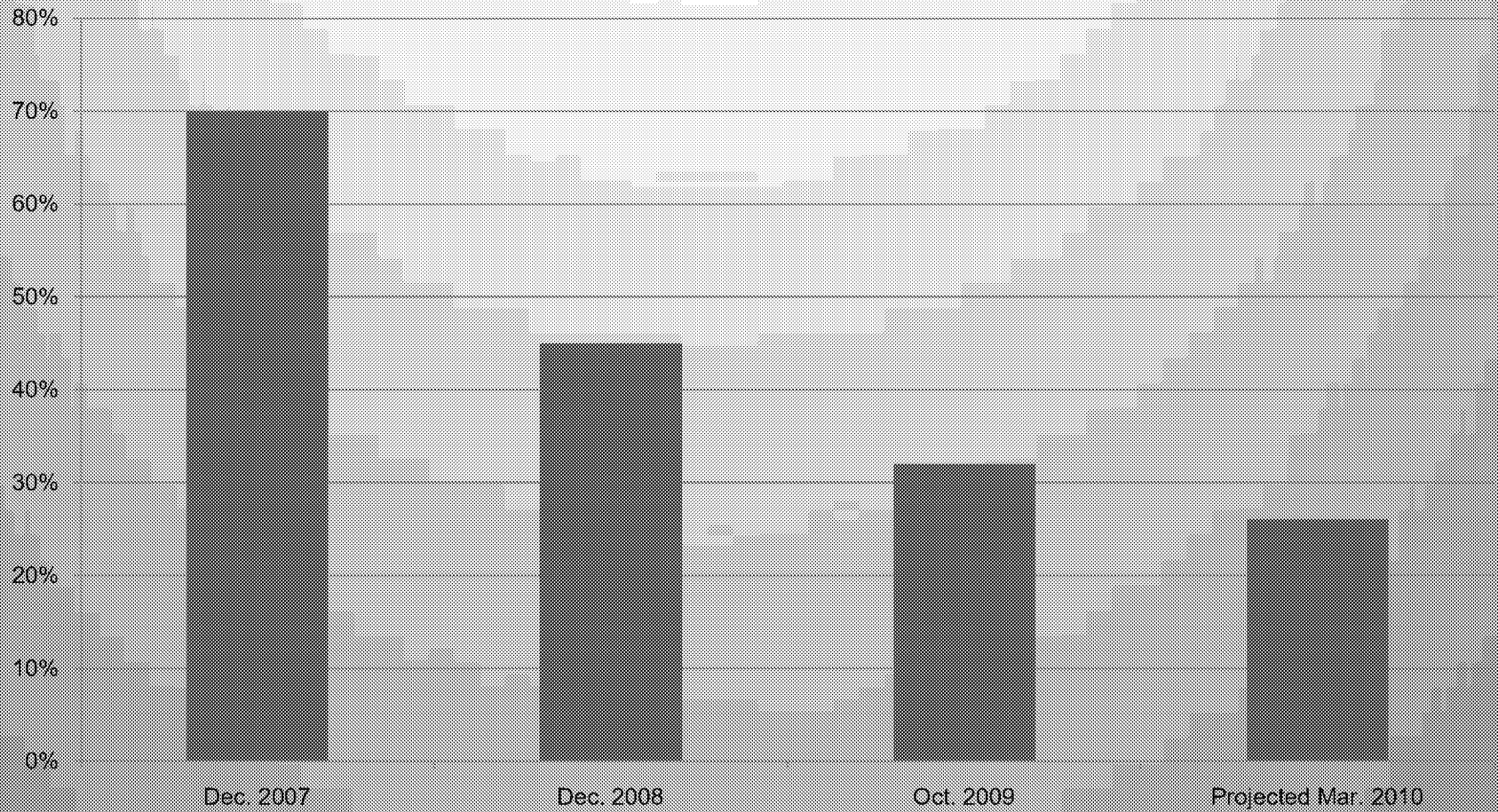
2008-Present

- **Largest Equity erosion I have ever seen**
- **Largest swing in volatility I have ever seen**
- **2009 – thank God it is over - 2010 has to be better (does it?)**
- **Producers also don't want to leave the industry – it is their way of life and will do anything to stay in.**
- **Many producers have put all chips on the table**

Current Swine Balance Sheets

- **<35% Owners Equity**
- **70% October 2007**
- **Working Capital ratio 1.3 to 1**
- **October 2007 > 3 to 1**

Owner Equity Decline



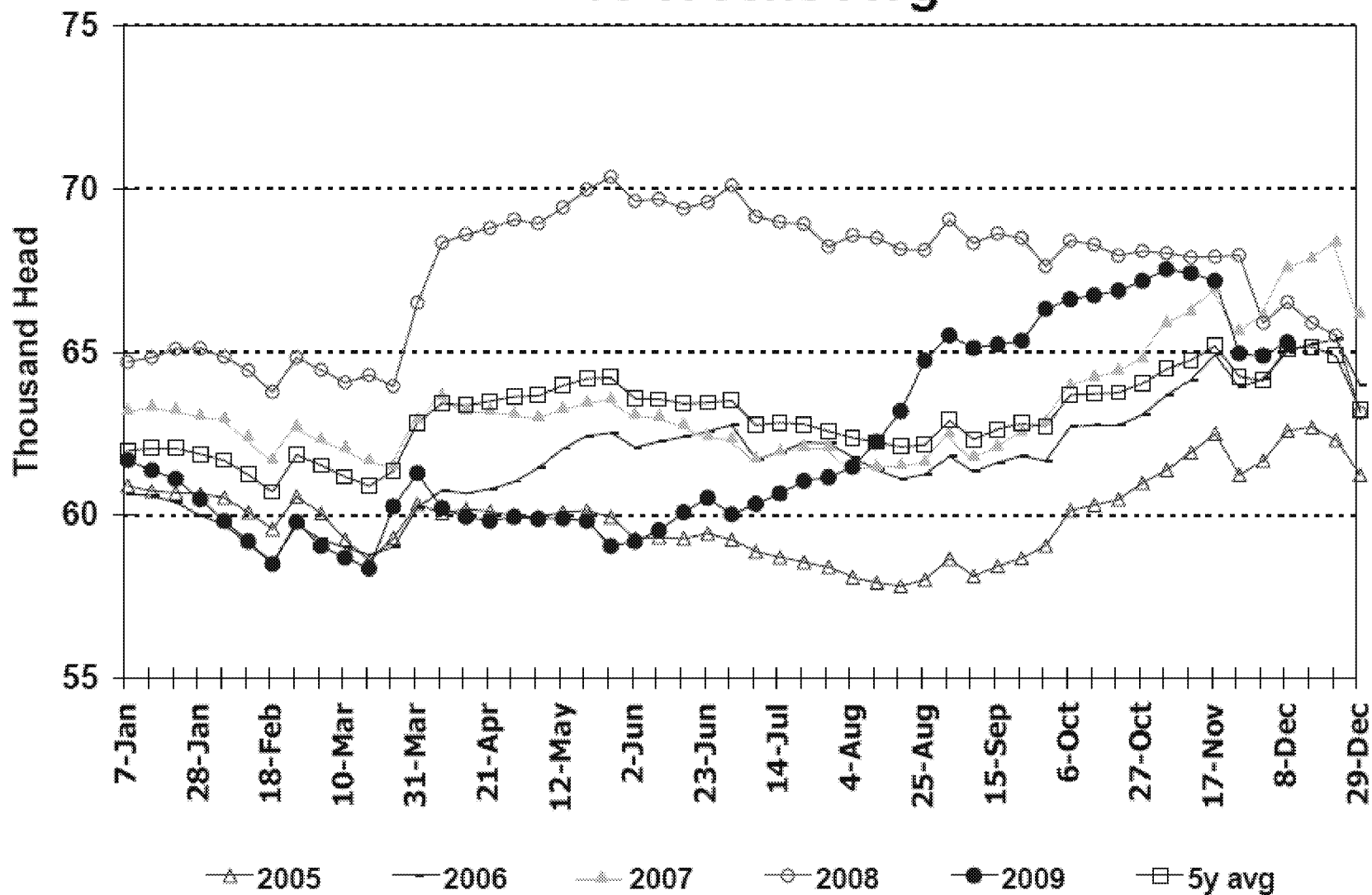
2009 Cost of Production

- **2009 Average Cost of Production
\$135-\$140**
- **2009 Average Revenue Per Pig \$110-\$115**
- **Average Loss Per Head 2009
(\$25)**
- **December will be the least loss –
actually had some producers that will
be in the black**

Sow Liquidation

- **2 Large Bankruptcies (Coharie & Coastal) SE**
- **Controlled liquidation in SE**
- **Midwest is more shutdown**
- **Reduced breed targets**
- **Liquidation will still occur but it is slow process**
- **Better 2010 markets might slow it down**
- **It has not been enough and more needs to occur**
- **Everybody wants someone else to get out**
- **Very few sales of any assets to date**
- **They also think Lenders should fix the problem**

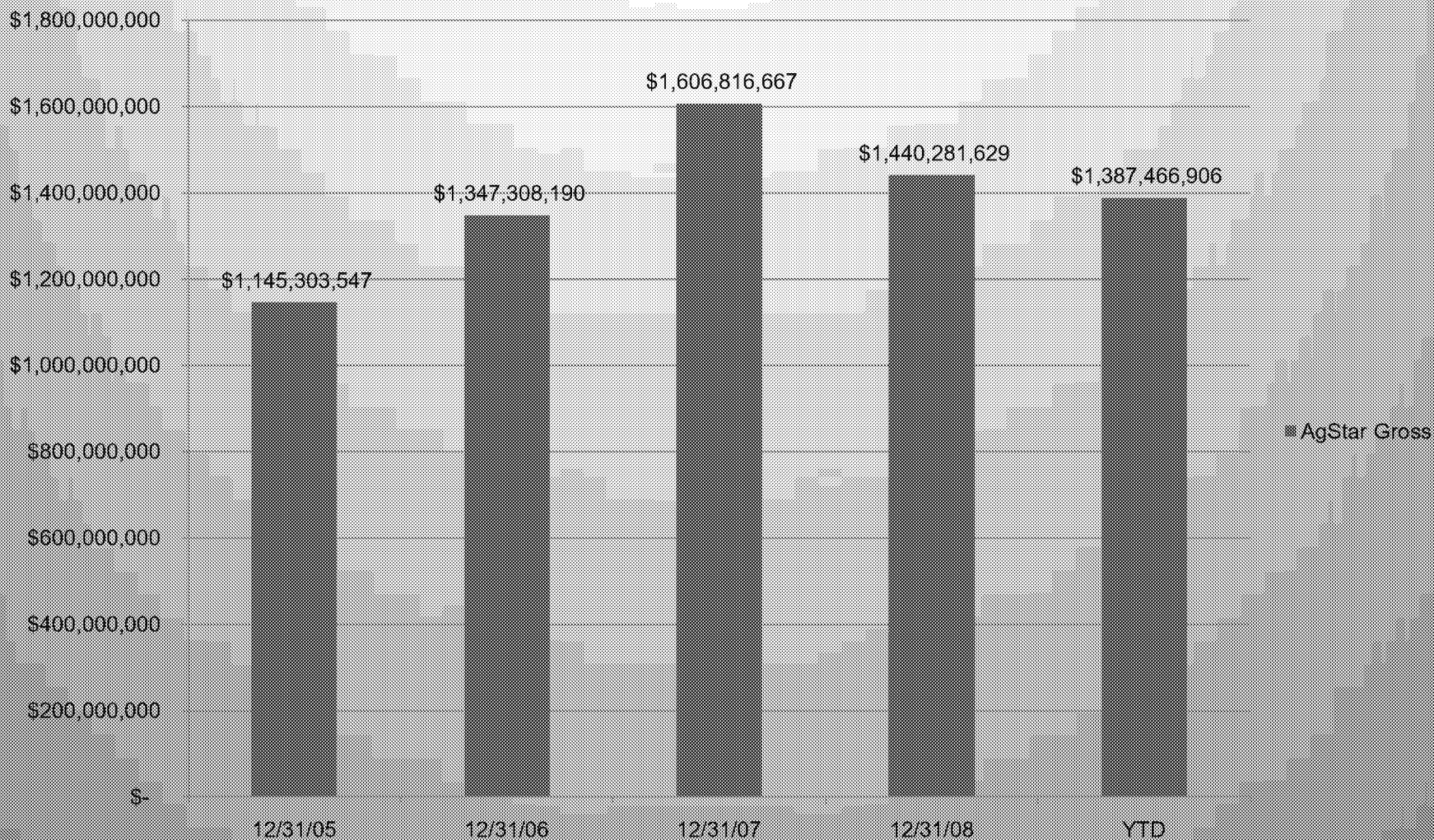
F I Sow Slaughter *13 Weeks Avg*



Swine Portfolio Overview

Swine Gross TLO

AgStar Gross



Swine Portfolio Overview

- **.6% delinquency as of 12-31-09**
- **Many modifications have been done**
- **Many covenant changes**
- **Also producers have put all chips in – amazing amount of cash or equity that has been put in to keep raising pigs**
- **Separation from the have not's and survivors**

The Have Not's

- **Not a function of size**
- **Function of leverage going into 08-present**
- **Function of risk management on feed risk and hog margin management**
- **Certain models struggled more than others – wean pig buyers with contracts got hit first**
- **Wean pig producers next**
- **Farrow to finish with the little risk management was next – SE was hit harder than the Midwest – cost of production is higher in SE**

The Survivors

- **Still have working capital**
- **Current ratio > 1.4:1**
- **Have operating line availability**
- **Owner equity > 40% GAAP**
- **Locked in margins for 08 and 09**
- **Sometimes minimized losses**
- **Tremendous amount of resources were dedicated in this area**
- **Have Lenders that understand risk management**
- **Hedge Lines and operating lines**
- **Alliance with a packer – CFA or marketing agreement**

A Daily Example

Open Market Hedge Margin, 12-9-2009														
Month	Cash Corn	Meal Futures	Basis	Cash Meal	Feed Cost Per Hd	Other	Cwt B/E	LH Futures	Probable Basis WCB 3 yr Avg	Futures Less Basis	Full Hedge Profit--CWT	Per Hd	Live B/E	
December	\$ 3.48	\$ 314	\$ (5.0)	\$ 309	\$ 63.20	\$ 60.88	\$ 59.37	63.400	\$ (3.75)	59.65	\$ 0.28	\$ 0.59	\$ 45.12	
January	\$ 3.59	\$ 306	\$ (5.0)	\$ 301	\$ 64.47	\$ 60.88	\$ 59.98	65.075	\$ (4.00)	61.075	\$ 1.10	\$ 2.30	\$ 45.58	
February	\$ 3.59	\$ 303	\$ (5.0)	\$ 298	\$ 64.30	\$ 60.88	\$ 59.89	65.075	\$ (3.50)	63.575	\$ 3.68	\$ 7.89	\$ 45.52	
March	\$ 3.59	\$ 303	\$ (5.0)	\$ 298	\$ 64.30	\$ 60.88	\$ 59.89	69.550	\$ (3.50)	66.05	\$ 6.16	\$ 12.87	\$ 45.52	
April	\$ 3.65	\$ 302	\$ (10.0)	\$ 292	\$ 64.47	\$ 60.88	\$ 59.97	69.550	\$ (2.25)	67.3	\$ 7.33	\$ 15.31	\$ 45.58	
May	\$ 3.70	\$ 302	\$ (10.0)	\$ 292	\$ 64.90	\$ 60.88	\$ 60.18	77.650	\$ (1.50)	76.15	\$ 15.97	\$ 33.38	\$ 45.74	
June	\$ 3.74	\$ 303	\$ (10.0)	\$ 293	\$ 65.39	\$ 60.88	\$ 60.42	77.650	\$ (1.75)	75.9	\$ 15.48	\$ 32.38	\$ 45.92	
July	\$ 3.79	\$ 303	\$ (10.0)	\$ 293	\$ 65.39	\$ 60.88	\$ 60.42	76.600	\$ (0.50)	76.1	\$ 15.68	\$ 32.78	\$ 45.92	
August	\$ 3.82	\$ 302	\$ (10.0)	\$ 292	\$ 65.99	\$ 60.88	\$ 60.70	75.800	\$ (1.00)	74.9	\$ 14.10	\$ 29.46	\$ 46.14	
September	\$ 3.87	\$ 299	\$ (10.0)	\$ 289	\$ 66.20	\$ 60.88	\$ 60.81	67.375	-	67.375	\$ 6.57	\$ 13.73	\$ 46.21	
October	\$ 3.85	\$ 292	\$ (10.0)	\$ 282	\$ 65.68	\$ 60.88	\$ 60.56	67.375	\$ (1.00)	66.375	\$ 5.82	\$ 12.19	\$ 46.02	
November	\$ 3.90	\$ 292	\$ (10.0)	\$ 282	\$ 66.08	\$ 60.88	\$ 60.75	66.400	\$ (0.00)	64.4	\$ 3.65	\$ 7.60	\$ 46.17	
December	\$ 3.95	\$ 292	\$ (10.0)	\$ 282	\$ 66.08	\$ 60.88	\$ 60.75	66.400	\$ (3.75)	62.650	\$ 1.90	\$ 3.98	\$ 46.17	
January	\$ 3.96	\$ 293	\$ (10.0)	\$ 283	\$ 66.61	\$ 60.88	\$ 61.00	69.000	\$ (4.00)	65.000	\$ 4.00	\$ 8.38	\$ 46.36	
February	\$ 4.01	\$ 295	\$ (10.0)	\$ 285	\$ 67.16	\$ 60.88	\$ 61.26	69.000	\$ (1.50)	67.500	\$ 6.24	\$ 13.03	\$ 46.56	
March	\$ 4.01	\$ 295	\$ (10.0)	\$ 285	\$ 67.16	\$ 60.88	\$ 61.26	72.200	\$ (3.50)	68.700	\$ 7.44	\$ 15.54	\$ 46.56	
April	\$ 4.08	\$ 293	\$ (10.0)	\$ 283	\$ 67.65	\$ 60.88	\$ 61.50	72.200	\$ (2.25)	69.950	\$ 8.45	\$ 17.67	\$ 46.74	

Survivors

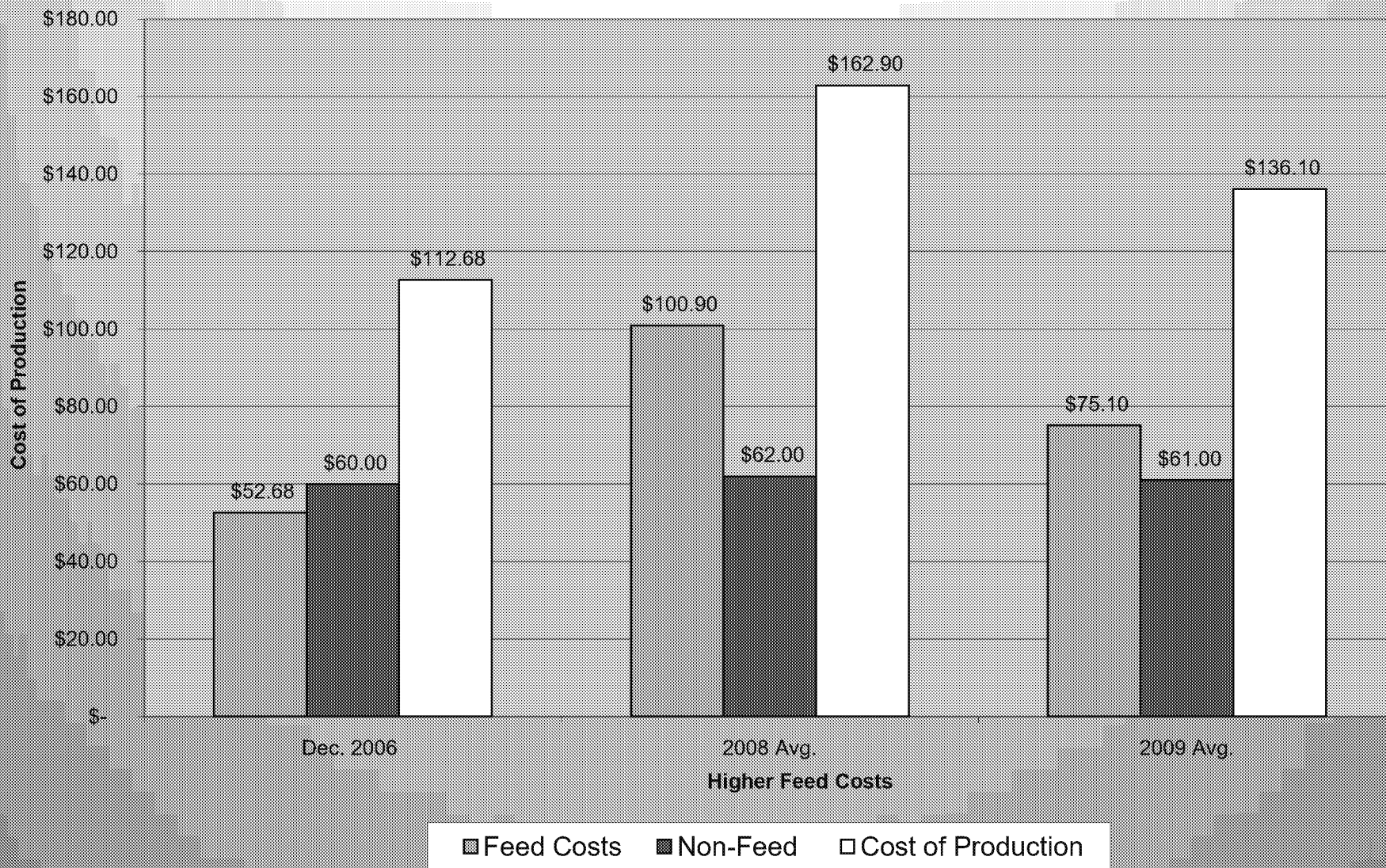
- **Financial reporting is very good**
- **Monthly accrual statements**
- **Monthly cost of production – many by flow**
- **Monthly cost of inventory – we look at this number – today average cost of inventory wean to finish is in the low \$70's**
- **If you don't have this - access to capital will be very difficult**

Volatility is the Norm

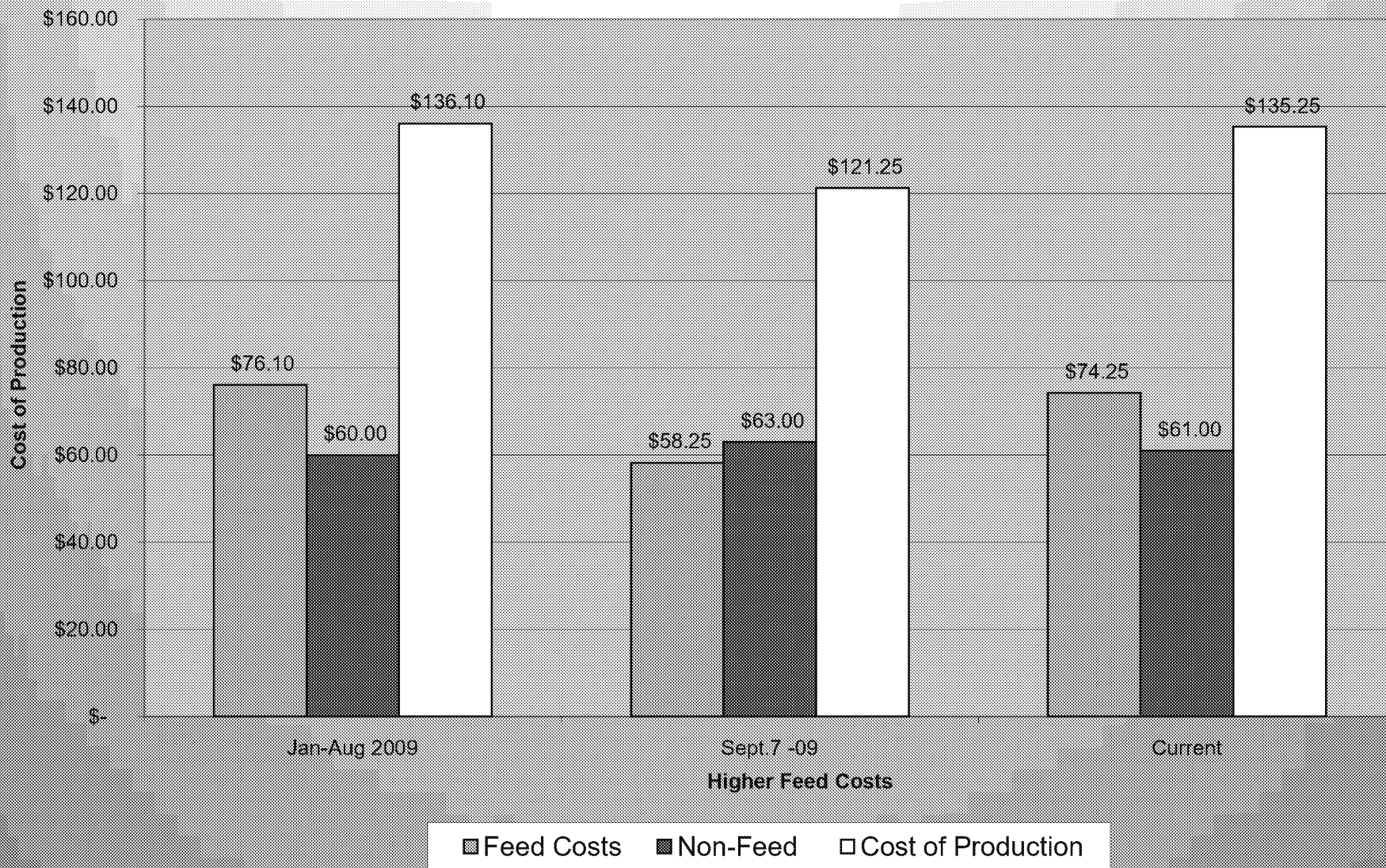
- **Markets have been crazy for the past 24 months**
- **Volatility will remain for the foreseeable future**
- **Risk management is crucial to survival**
- **More producers than you think have managed this volatility well**
- **Market volatility makes producers very cautious**
- **We are funding margin losses now through Feb.**
- **No margin opportunities until the April of 2010**
- **Can I last that long?**



Overall Cost of Production



Overall Cost of Production



Packers

- **SFD – more integrated less pigs going to other plants**
- **Some packers have CFA's but no more new ones**
- **Have seen CFA's but they want collateral**
- **Not much help coming from packers for producers yet**
- **Packers looking at owning hogs –Swift – Cargill what will new agreements look like when or if we get short**

Short term outlook

- **Breakeven on best systems are now \$65-\$67 carcass**
- **Now corn concern – molds affect performance more in ECB**
- **Producers mindset hope others go broke before me**
- **The Swine industry is specialized and very hard for businesses to shut down**

Issues to discuss

- **Liquidation values – change daily – tough decisions and how long do you keep funding losses**
- **Feed consultant on retainer for wind down scenarios**
- **Brand issues**
- **Contract barn owners owning pigs**
- **Still not many empty barns – nursery first**
- **Appraised values on facilities**

Credit Availability

- **Very difficult to switch Lenders**
- **Why build versus acquisition**
- **Lenders are bailing on the industry**
- **Borrowing Base values going forward**
- **More dollars on hogs that are hedged?**
- **Unhedged or locked Sows Max \$100 previous \$150**
- **Grow – Fin - \$40 Previous \$55**
- **2500 sows operating**
- **Max \$1.25MM before \$1.75MM = \$500K more Capital in – plus personal signatures less patience**
- **Swine producers controlling more land –corn in the Midwest to control costs ?**

Corn Costs Per Acre

Expense Estimate/Acre			
Seed	\$	94	\$ 94
Fertilizer	\$	130	\$ 50
Herbicide	\$	26	\$ 26
Farm Insurance	\$	4	\$ 4
Crop Insurance	\$	27	\$ 27
Fuel/Oil	\$	24	\$ 24
Repairs	\$	28	\$ 28
Crop Drying	\$	16	\$ 16
Machine Lease/Hire	\$	18	\$ 18
Custom/Hired Labor	\$	12	\$ 12
Crop Marketing	\$	1	\$ 1
Misc Crop Expense	\$	18	\$ 18
Operating Interest	\$	17	\$ 17
Term Interest	\$	9	\$ 9
Machinery/Bldg Depreciation	\$	32	\$ 32
Utilities	\$	5	\$ 5
Total Non-Land Expense	\$	461	\$ 381
Plus Land Costs/Rent	\$	225	\$ 225
	\$	-	\$ -
Total Land Costs/Rent/Draw	\$	225	\$ 225
Total Expense inc. Land and Draw	\$	686	\$ 606
	\$	-	\$ -
Break-Even/Bushel	\$	3.71	\$ 3.28

Lesson Learned

- You can never have enough working capital
- Leverage will be dirty word for a period of time
- You will need to manage margin risk from now on & it will be as important as production risk
- Volatility looks like it will be the norm.
- You will need to be even better at managing your business to survive – production – costs – margin – the people that are left are good and getting better everyday

Summary

- It might take another 12-24 months for this to be corrected
- Breakeven is \$135 a head we need \$70 hogs to be profitable what does supply/demand have to be? We are writing history
- Producers that can manage risk will grow – Lenders will allow them to manage non performing assets
- Producer – Packer more aligned model in the future
- Capital will be very difficult to get until the industry makes money for a period of time
- What will we all do when it gets better- will we go back to normal or will we learn from the past ?

The Future



Questions?